

**Eastern and Western Upper Peninsula
Citizen Advisory Councils (CAC)**

Joint Meeting

Thursday, March 19, 2009

Lakeview Arena, Citizens Forum Room

401 East Fair, Marquette, Michigan

6:30-8:30 p.m. EST

EUP CAC Members Present:

William Becks
Thomas Buckingham
Lisa DenBoer
Dale DuFour
James Duke
Nathan Fazer
Michael Lawless
Lester Livermore
Glenn Moll
Richard Pershinske, Chairperson
Douglas Scheuneman

EUP CAC Members Absent:

Al Colegrove
Robert Devillez
Frederick Gregg
Scott Hickman
Brenda Owen
Stephen Rodock
James Rutledge
Thomas Schweitzer
Steve Walker

WUP CAC Members Present:

Donald Britton
Marcy Cella
Floyd Dropps
Shawn Hagan
Fred "Mick" Jarvi
Lorana Jinkerson
David Johnson
Martin Johnson
George Lindquist
Rory Mattson
G. Dale McNamee
Chauncey Moran
Robert "Skip" Schulz
Dennis Stachewicz, Jr.
Warren Suchovsky, Facilitator
Philip Wirtanen

WUP CAC Members Absent:

Pete Jandro
James Schmierer

Department of Natural Resources Staff Present:

Stacy Welling, Upper Peninsula (UP) Field Deputy, Marquette
Craig Albright, Wildlife Division, Escanaba
Debbie Begalle, Forest, Mineral and Fire Management (FMFM), Marquette
Lt. John Cischke, Law Enforcement Division, Newberry
Gary Ellenwood, Parks and Recreation, Newberry
Rich Hill, Parks and Recreation, Marquette
Darren Kramer, Fisheries, Escanaba
Tim Melko, Land and Facilities, Marquette
Terry Minzey, Wildlife Division, Newberry
Jessica Mistak, Fisheries, Marquette
Mike Paluda, Forest, Mineral and Fire Management (FMFM), Marquette
Lt. Tim Robson Law Enforcement Division, Marquette
Steve Scott, Lake Superior Basin Coordinator, Fisheries, Newberry
Penny Bacon, Executive Division, Marquette

Stacy Welling, UP Field Deputy opened the joint Eastern Upper Peninsula (EUP) and the Western Upper Peninsula (WUP) CAC meeting at 6:30 p.m. She welcomed both councils and the members of the public. Stacy also welcomed Natural Resources Commissioner J. R. Richardson.

Stacy said this is the first time both councils have met, and this meeting is in response to both council's request to get more information about specifics of how the DNR budget is structured. We invited Sharon Schafer, who is the Budget and Support Services (BSS) Chief, for the DNR to provide that information and answer any questions you may have.

Stacy said public comment is always welcomed at the CAC meetings. But tonight we ask that questions focus on the structure of the budget, as we have limited time and any additional public comments for either the WUP or EUP Council can be directed at their next meeting.

Introductions:

Council members introduced themselves and what group they represent.

Opening Comments:

Richard Pershinske, Chairperson for the EUP-CAC said they organized very quickly and have already looked at several issues. They've suggested to the Department to maintain the current baiting and feeding in the UP and made recommendations on crossbows to the Natural Resources Commission (NRC) before they made their final decision. The EUP-CAC will be looking at deer management, private forestland management, off shore wind energy, and supplemental deer feeding. The next EUP-CAC meeting is scheduled for April 16 in Newberry.

Warren Suchovsky, Facilitator, for the WUP-CAC said they will begin meeting bi-monthly with the May meeting. The WUP-CAC rotates their meetings to a different county each meeting. The Council spent one meeting on the 2008 deer season and broke down the topic into smaller topics to work on, outside of the normal meetings. They've looked at fish stocking, cross country ski passes on state land, crossbows, and at the May meeting in Ontonagon County they'll be looking at issues with the various motorized vehicle activities on the trail systems. Warren said now that they've spent time together as a Council, they need to review their operations to see if they need to make changes. Warren will be sending a survey form to the members to begin to prioritize topics.

Stacy Welling told the CAC members they are the trailblazers as the inaugural CAC council members. Stacy thanked the members for their time and commitment. For the media and the visitors at the meeting tonight, Stacy reemphasized the function of the CAC's. The CAC's provide the DNR with information, ideas, emerging trends and initiatives in a setting that welcomes diverse interests. Also, providing a vehicle for the DNR to inform key citizens with the expectation they will, in turn, inform the broader public.

Exchange and Dialogue: One of the exchanges we provide is division updates to keep you and your group informed. The exchange of information, ideas and opinions will identify and address potential conflicts, inform various constituencies about management of public resources, and present management choices in a broad context. Stacy said

the dialogue needs to be respectful and we need to respect others opinions. Anyone can complain but it takes a stronger person to get involved and do something about it. **Challenges:** We need to make sure issues get the attention and dialogue they deserve. Sometimes our topics need more time and attention. We need to work together in the recommendation process to ensure our suggestions could be considered.

Accomplishments: The resource community is seeking information about what is occurring at the meetings. The public is participating, the media is involved, these meetings are turning into a great vehicle for information exchange. Stacy provided Commissioner Richardson with the opportunity to let the Councils know what effect they have at the NRC level.

Commissioner J. R. Richardson thanked the Director for having the vision to create the CAC's. Commissioner Richardson said the crossbow is one example that you are being heard. He said he changed his opinion on crossbows based on the input by both CAC's and the Upper Peninsula Sportsmen's Alliance supporting the use of crossbows by hunters 50 years of age or older. We won't always be able to accommodate your recommendations but we are listening.

Commissioner Richardson thanked Sharon Schafer for making the budget process understandable. He also thanked the DNR staff for their support.

Stacy Welling added, remember you can't shake hands with a clenched fist. We might not always agree on everything but let's talk about it and shake hands afterwards.

DNR Division Updates:

Debbie Begalle, WUP District Supervisor, FMFM, said about three quarters of their budget relies on timber sale revenues. At the beginning of this year FMFM projected \$28 million in revenue for the Forest Development Fund but because some timber sales haven't received any bids and some sales are being sold close to their appraised value, they've reduced the projection to \$26 million in revenue.

Mike Paluda, FMFM UP Supervisor and EUP District Supervisor, announced an open house on April 14 in Newberry from 4-8 p.m. with a formal presentation at 7 p.m. The open house will provide information and review of the 33 different management areas of the EUP state forest that will be the basis for the EUP management plan development. Last July the NRC approved the statewide ORV Management Plan and just last week the FMFM management team endorsed major changes proposed by an internal work group for the ORV and snowmobile sign system. Mike said its spring fire season in the southern Lower Peninsula. Currently, FMFM has two dozers and four operators in Texas working on fires.

Steve Scott, Lake Superior Basin Coordinator said Fisheries is struggling with their budget. Steve said the coaster brook trout is being considered for listing on the threatened and endangered species list. The Federal government will issue a response on April 15.

Terry Minzey, EUP District Supervisor, Wildlife, said in recent weeks the weather has moderated especially in the WUP. In terms of total snow accumulation, the WUP should finish very close to last year, maybe 10 percent higher than the long term average. The EUP is about 30 percent higher than last year and 50 percent higher than the long term average. The next month will be the tell tale for the deer herd. Terry said he thinks it's safe to assume there will be a smaller deer herd this year as a result of this winter. Craig Albright hosted a meeting with leaders from turkey organizations to look at habitat,

hunting regulations, and turkey management unit expansion. Wildlife Division just finished up the moose population survey with an estimate of 420 moose in the WUP herd. The EUP will be meeting with different organizations including representatives from FMFM to discuss sharp-tailed grouse management to see if there is potential for some kind of limited hunt in the far end of the EUP.

Lt. John Cischke, District 2 Law Supervisor, said officers are still involved in snowmobile activity and investigations. John said the investigation on the gill netting incident that happened in Bays de Noc is moving along at a pretty good pace. We've had excellent cooperation with the Sault Tribe.

Rich Hill, WUP District Supervisor said Parks and Recreation's budget is dependent on revenue. So far this year the camper revenue is down five percent from last year at this time. Rich said the recreation passport proposal has been introduced as a Senate Bill. Three parks in the WUP will be offering a first time camper program, the campers will be able to camp for a reduced rate of \$20. Rich said this is a new statewide program and they are currently looking for sponsors to help with equipment purchases. Lake Gogebic State Park is considering seasonal camp sites with a reduced monthly rate and also a seasonal rate. This is the first time a state park would offer a seasonal rate. At Twin Lakes and Baraga state parks, we are in the process of putting together a proposal for a Land Use Order to allow ORV's to operate within the parks to go to and from the trail system. These two parks were chosen because of their close proximity to the trail systems.

Tim Melko, Land and Facilities, reminded everyone to purchase a new fishing license as the new license year begins April 1. Also, there are plenty of leftover spring turkey licenses that can be purchased by unsuccessful applicants or individuals that didn't apply for a turkey license.

Special Presentation:

Sharon Schafer, Chief, Budget and Support Services (BSS), DNR provided a presentation on the budget process and timeline, current budget, and current year spend plans.

Department Organization:

There are six resource divisions and each division has a budget person that is responsible for developing the salaries and wages and working with their management team developing their budget. All of the divisions use their Management Teams to allocate their budgets. BSS provides the budgetary assistance to the Department's five administrative offices.

Budget Process and Timelines:

The State Budget Office coordinates the budget for the entire State. The Budget Office works closely with the Governor to make sure her priorities are reflected in the Budget. BSS coordinates the DNR requests and make sure the Director's priorities are reflected in the requests before they are forwarded to the State Budget Office.

The budget process takes approximately one year to complete and starts in early summer for the divisions. They review their current year budget and identify changes, like a new revenue source. In August, DMB sends a letter that provides direction on what they expect for budget development such as the availability of General Fund for program expansions or reductions and due dates. BSS establishes internal deadlines with guidance to the divisions. The Divisions submit changes to BSS, BSS reviews the requests, the DNR Management Team (the Management Team consists of the Director, Chief of Staff, Resource Deputy, Dennis Knapp, Assistant to the Resource Deputy, Pat

Spitzley, Legal Advisor, Stacy Welling, UP Field Deputy, and all of the Division Chiefs) reviews the requests, then the documents are forwarded to DMB, at this time BSS fields numerous questions from DMB. In January, a revenue estimating conference is held to determine the amount of the tax revenue for the General Fund. In February, the Governor's budget is released. The House and Senate budget hearings begin in February through May for the next fiscal year. Also, in May another revenue meeting is held. Once the Governor signs the budget bill, implementation begins for the new budget year. Continual monitoring of expenditures occurs throughout the year to ensure divisions are staying within their budgets. Expenditures are also reviewed for appropriateness of use. The spend plan is updated monthly and is available on the DNR web site.

Richard Pershinske asked if the Department will receive any funds from the stimulus package. Sharon said the Department has applied for competitive grants for invasive species; to employ youths in State Parks; temporary fire officers; replacement of the Roscommon fire equipment station. We applied for any grant that is applicable to the Department. But unfortunately we will have very little funds coming directly to us from the stimulus package.

Phil Wirtanen asked how much of the DNR budget comes from the General Fund. Sharon said 4 percent, this year we started with \$10.6 million but in December the Governor issued an Executive Order which reduced our General Fund dollars by \$159,400, so we received \$10.5 million. The General Funds are used for FMFM's fire and recreation programs; Wildlife division for disease, and Law Enforcement for services by Conservation Officers that are not specifically tied to a restricted fund.

Questions were asked about the Pittman-Robertson, Dingell-Johnson and the Michigan Natural Resources Trust Fund (MNRTF) funds.

Sharon said the Pittman-Robertson funds are an excise tax on ammunition and guns and predominantly goes to Wildlife Division for wildlife restoration and about \$2 million goes to Law Enforcement for hunter education and shooting ranges. The Dingell-Johnson funds goes primarily to Fisheries but 15 percent is used for boating access sites through Parks and Recreation.

The MNRTF revenue comes from mineral development on state lands. This past year we had a record year, about \$104 million from minerals, most of that money goes to the MNRTF. By the Constitution, we can spend one third of those mineral revenues plus interest and earnings. Those revenues are used for grants, mostly for acquisition grants and up to 25 percent can be used for recreational development. The grant application deadline is April 1 and the grants are awarded in December by the MNRTF Board. Grants management provides training workshops throughout the State on how to apply for the grants. We also have staff that work with local groups to improve their grant applications. The grants booklet and the criteria for the grants are available on the DNR web site.

Current Year Budget:

For the fiscal year the DNR started out with \$275 million in budgetary authority just for operations. We started the year with \$10.6 million in General Funds but was reduced to \$10.5 million. The Department receives about \$50 million in Federal revenues. The

Department relies heavily on restricted funds for its operations. These restricted funds are from user fees, timber sales, oil and gas revenue, and some from mineral leases.

The Department receives some funding from the federal government for specific programs such as homeland security for Conservation Officers and for grants to local sheriff departments for enforcement of recreational boating laws, from the Department of Agriculture, through the Forest Service for forest fire and forest health. But most of the federal funds come from Pittman-Robertson and Dingell-Johnson.

The Federal funds from Pittman-Robertson and Dingell-Johnson can only be used for fish, wildlife, hunter education and boat access sites. Many of our user fees are constitutionally protected from other uses.

Skip Schulz asked what about the years when the DNR had more income than was spent. Sharon explained when you have a restricted fund the statute determines whether you can carry forward the money to the next year or not. Almost all of our restricted funds carry forward and does not go into the general fund. The captive cervid fund doesn't carry forward but we use all of those funds every year because the revenue is never enough to cover the cost of the program.

Skip asked about the National Recreational Trail Fund (NRTF), SIMS and the gas tax funds where the DNR was allowed to make the decision where to spend these funds. Sharon believes MDOT carried forward the SIMS funds until the DNR completed the projects. The Department carries forward the NRTF dollars until the project is complete. For 2008, the Forest Development Fund had a fund balance of \$6.8 million that was not committed.

George Lindquist said the Pittman-Robertson funds are used for other things that maybe people don't agree with like the wolf program. **Penney Melchior**, Field Coordinator, Wildlife Division replied Pittman-Robertson funds is primarily for wildlife management for wild birds and mammals; it doesn't necessarily have to be a game animal. Secondary management activity includes all wildlife related recreation management, like bird watching. Sharon added before we can spend those dollars we have to write a grant and the grant has to contain all of the activities and then has to be approved by the Federal Government.

Sharon said the Department has over 40 restricted funds that are included in the current year's budgetary authority. BSS develops revenue projections, working closely with the Divisions, monitoring the revenues throughout the year, and aligning the spend plans with anticipated revenues. A restricted fund is a specific revenue source with specific uses defined in statute and some are Constitutional. Sharon provided a brief description of the source of the revenues, the uses, and the divisions that are primary users of the funds for the current budget year.

Land Exchange Facilitation Fund – revenues are generated through the sale of surplus land when sale proceeds have not been directed to a specific fund in statute. The revenues vary greatly from year to year depending on the sale of surplus lands. This fund is used to replace those lands that are sold and is used to fund the real estate services staff of the Department.

Park Improvement – about \$38 million in revenues are generated primarily through motor vehicle permit fees and camping fees. Primarily used to fund state parks and the Office of Communications for explorer program in the state parks

Snowmobile Funds – a combination of 3 different funds all related to snowmobiles. With the law change, all of the snowmobile registration revenue from the snowmobile registration fees funds law enforcement. The registration fee will increase to \$30 beginning July 1, 2009; \$22 goes to law enforcement and for grants to local sheriff's departments and \$8 will be used to secure permanent easements for snowmobile trails.

Snowmobile Trail Improvement Fund – revenues from trail permits, trail permits will increase from \$25 to \$35, and the DNR receives 2 percent of the gas tax, from this 2 percent, 14 percent goes into this fund. The funds are used to reimburse clubs for grooming, insurance, fuel costs, equipment and FMFM for administering the program.

Other Funds – some of the other smaller funds include the non-game fund - loon license plate, Michigan Civilian Conservation Corp., commercial forest, revenue from state forest campgrounds.

Marine Safety – this fund receives 49 percent of the watercraft registration permits about \$5 million – used for recreational boating safety for Conservation Officers and grants to local law enforcement agencies.

Game and Fish General Purpose Fund - this fund generates most of its revenue from hunting and fishing licenses. Some funds receive specific earmarks from license sales. The Deer Range Improvement Fund receives \$1.50 from every deer license to be used for habitat development for deer, turkey habitat receives \$9 from every turkey license and \$3 from every turkey application, wildlife resource protection fund receives .35 cents from every hunting license sold to fund the Report All Poaching program. Game and Fish Trust annually transfers \$6 million plus interest and earnings which consists of timber and oil and gas taken from lands purchased with Game and Fish funds. This fund is invested in the stock market.

General Fund - general tax dollars. These funds can be used for anything.

Park Endowment Fund - was seeded with \$40 million from sale of the State Accident Fund and receives \$10 million of the mineral revenue. We can spend \$5 million plus interest and earnings of corpus – balance \$131 million – used for FMFM mineral section and state parks.

Forest Development - source is timber sales on some state owned lands. Used for timber sales, fire protection, planning, regeneration, forest health, etc.

ORV trail - \$16.25 trail permit – used for law enforcement and grants for local law enforcement entities, trail development, maintenance, restoration of damage.

Waterways – primary revenue source is the gas tax about \$14 to \$15 million annually, \$5 million watercraft registrations, harbor reservations, pump out fees, concessions, sale of fuel at state harbors. Uses are for operations and maintenance of state boating

access sites and state owned harbors. Some funds are also used for capital improvements of local and state harbors and BAS.

Skip Schulz asked for a breakdown of the gas tax formula. Sharon said the DNR receives 2 percent of the gas tax, which is about \$17 to \$18 million. From that 2 percent, 80 percent goes to waterways, 14 percent for snowmobile, 6 percent for recreation improvement fund for ORV damage restoration, law enforcement, grooming cross country ski trails.

George Lindquist said some of the endowments and trusts have a pretty big fund balance but you can only draw a percentage each year. Is there anyway to increase the percentages? Sharon said only with a Constitutional change.

Current Year Spend Plans:

The Department has budgetary authority of \$275 million but the spend plan is only \$253.4 million. If we don't have the revenue behind the amount authorized, we can't spend it. When we put the budget together, we estimate the amount of federal revenue that may be available. Federal allocations change annually and we need to align our spending with the federal funds that are available. In addition, many of our restricted funds used to have a fund balance or a savings account which allowed the Department to spend the annual revenue that was generated plus any fund balance or savings up to the budgeted amount. In many of the funds, the savings has been exhausted so now the Department has to keep expenditures in line with the anticipated annual revenue.

Game and Fish Protection Fund – General Purpose - this fund generates most of its revenue from hunting and fishing licenses. We are only anticipating \$56.8 million in revenue and we have a small savings account of \$138,700. As those investments change this number will change too. This means that we can only spend \$56.9 million even though our appropriation is set at \$68.3 million. Currently, our spend plans are set at \$57.2 million. This exceeds the amount available to spend right now but we are currently looking at the spend plans to determine where we can take additional cuts. This funds state fish hatcheries, surveys of the Great Lakes and inland waters and rivers, habitat development for wildlife, disease surveillance, game areas, conservation officers, Retail Sales System which issues the hunting and fishing licenses.

The State Park Improvement Fund is anticipating revenues of approximately \$37.7 million and has a savings account of \$2 million. Combined this is approximately \$39.7 million and our appropriated amount is almost \$41 million. We are anticipating spending more than what is available but we are hoping to shift some of those costs over to the Park Endowment Fund to tide us over. The Park Endowment Fund is also invested in the stock market and needs to be watched carefully. If the license plate proposal passes it could generate significant revenue for State Parks. State Parks only has \$2 million a year for infrastructure with over \$1 billion in assets. We have a temporary plan in place to use Park Endowment Funds but that is dependent on market performance.

Discussion ensued on the vehicle registration fee proposal.

The revenue sources for the Forest Development fund are generated through the timber harvest. We started out this year with a savings account of \$6.8 million, but revenues have begun to decline and are anticipated at \$26 million. This number was recently

decreased by \$2 million due to the economic conditions. If this trend continues, the revenues could fall dramatically and we may have to reduce spending. We are authorized to spend \$32.3 million and are currently planning on spending only \$31.5 million. We are holding back on spending due to the market conditions. If the fund balance is completely exhausted this year, we will be going into next year with a significant deficit in this fund.

Sharon said the Director will be having meetings around the State looking for constituent input. We have limited resources and we need input on what our priorities should be. The UP meeting is scheduled for Monday, April 13 in Marquette.

Sharon urged everyone to view the financial information and the spend plans that are posted on the DNR web site. The spend plans are updated monthly by the division budget personnel, reviewed by the Director and the Management Team, and presented to the Natural Resources Commission.

Rory Mattson said if UP Sportsmen's Alliance and other groups are to consider a license increase, they need to know how much each program cost and how they are funded. They also would like the spending projections. Sharon said it was possible to provide the breakdown.

Discussion ensued on the current budget, license increase, and priorities.

Everyone thanked Sharon and her staff.

Stacy Welling announced the UP Habitat Work Group public meeting scheduled for Friday, March 27 at Bay College West Campus in Iron Mountain from 6-8 p.m. EDT/5-7 p.m. CDT.

Meeting adjourned at 9:05 p.m.